EXHIBIT F

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July 17, 2008

Ms. Marlene H. Dortch, Secretary
Federal Communications Commission
Office of the Secretary
445 12th Street, SW
Washington, DC 20554

Re: **WC Docket No. 07-245**
(Pole Attachment Proceeding)
Ex Parte Presentation

Dear Ms. Dortch:

On behalf of Allegheny Power, Baltimore Gas and Electric Co., FirstEnergy Corp., National Grid, Dayton Power and Light Co., Kansas City Power and Light, and NSTAR (the "Coalition of Concerned Utilities" or "*Coalition*"), and pursuant to Section 1.1206 of the Commission's Rules, this responds to the letter to you in the above-captioned proceeding from the Arkansas Cable Telecommunications Association ("ACTA"), dated July 11, 2008 (the "ACTA Letter").

In its letter, ACTA attempts to discount a sworn statement by a cable industry executive regarding the significant headend and upgraded plant costs -- and the relatively miniscule pole attachment rental fees -- necessary to deploy broadband in rural America. ACTA argues that the *Coalition* mistakenly used the statement to demonstrate that headend and plant capital costs are much more of an impediment to rural broadband deployment than higher pole attachment rental fees.[1] ACTA is wrong.

The Declaration of ACTA's witness, Dennis R. Krumblis of Buford Media Group, LLC ("Buford"), in a recent pole attachment proceeding before the Public Service Commission in Arkansas, has been provided by the *Coalition* in previous ex parte submissions and is attached again for reference. As explained earlier by the *Coalition*, Mr. Krumblis' Declaration shows that the average additional cost for headend and upgraded plant necessary to begin offering broadband is somewhere between $1,116.67 and $2,088.89 per customer. An increase in pole attachment rates from $6.00 to $15.84 per pole, however, to more fairly reflect cable's share of the pole, would amount to an average annual increase of only $24.60 per customer.[2]

[1] July 11 ACTA Letter at 1.
[2] ACTA has not disputed the *Coalition*'s cost analysis.

Thus, the capital costs for the average Buford rural system to provide broadband are anywhere from **45–85 times** higher per customer than the increase in annual pole attachment costs.[3] As shown in the Krumblis Declaration, it is capital costs, not modest, recurring pole attachment rental fees, that are the primary impediment to the deployment of broadband in rural America. If a cable system cannot afford the significant up-front capital costs to deploy broadband services, the issue of recurring, modest pole attachment fees is moot.

The rural system that is highlighted in the ACTA Letter is a far cry from Buford's typical rural cable system. While the typical Buford rural system averages only 2-3 poles per customer, the system that is addressed in the ACTA Letter reportedly has 4907 attachments with only 303 customers, for an average of 16 attachments per customer (4907 ÷ 303 = 16.4).[4] Since the FCC's pole attachment regulations calculate attachment fees on a per pole basis, this particular Buford system appears to average more than 16 poles per customer.[5] Leaving aside the issue of why Buford has not been paying *any* pole attachment rental fees for approximately *one-half* of these attachments,[6] this system is being charged pole attachment fees at a level that is 6.5 times more poles per customer than the average rural cable system operated by Buford (16.4 ÷ 2.5 = 6.5).

Using 2.5 instead of 16 poles per customer produces an average pole cost of only seven percent (7%) of annual revenues, not 48% as asserted in the ACTA Letter (48% ÷ 6.5 = 7.4%).[7] By picking-and-choosing a particularly remote system that is charged pole attachment fees at a rate of 16 poles per customer rather than Buford's 2.5 average for rural systems, ACTA artificially inflates the negative impact of higher, fairer pole attachment fees on typical rural cable systems.

Seven percent of annual revenues is a small price to pay even by rural systems for access to a fully constructed distribution corridor built by the utility industry but used by the cable industry. And even that 7% average for Buford's rural systems is far higher than the amount paid by Comcast and other communications giants for access to millions of poles in urban and suburban areas. In the urban and suburban areas served by Comcast, the ratio of poles to

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[3] As explained previously, this calculation is derived from information supplied in Mr. Krumblis' Declaration at ¶¶ 8-9.

[4] Krumblis Declaration at ¶¶ 8, 11 and 16

[5] Footnote 2 of the ACTA Letter reports that Mr. Krumblis believes that this system averages eight poles per customer, but the numbers show otherwise. Either Mr. Krumblis is not admitting to the near doubling of the attachment count that was found by the electric cooperative pole owner, or he is counting multiple attachments per pole in a manner inconsistent with FCC rules.

[6] *Id.*

[7] Krumblis Statement quoted in the ACTA Letter at 2.

customers may be one pole or less -- not 2.5, and certainly not 16.[8] Meanwhile, Comcast's average monthly revenue per subscriber is $95 and growing.[9]

Under the cable industry's proposals, Comcast and other gigantic companies that are attached to millions of poles at a tiny fraction of their annual revenues would be given tens of millions of dollars per year in continued, unjustified pole attachment subsidies under the guise of supporting rural operators that would receive only a small portion of that amount. Electric utility ratepayers -- already suffering from an energy crisis -- would be required to continue subsidizing Comcast and other media giants at the same time that they subsidize rural cable systems.

Blatantly favoring one industry over another makes no sense from a public policy perspective, and even less sense during an energy crisis. If the Commission wishes to provide a subsidy to rural cable systems, then cable companies like Comcast should provide it, not electric utility ratepayers.

The ACTA Letter also misses the boat when it suggests that the "big, bad utility" is blocking the deployment of rural broadband through the imposition of fairer pole attachment fees. The fees that are addressed in the ACTA Letter are being imposed by a non-profit rural electric cooperative actually providing electric utility service throughout the same remote area that Buford Media finds so difficult to serve with broadband.

The pole attachment rates charged by rural electric cooperatives are not regulated by the FCC, and for good reason.[10] Congress exempted cooperatives from the Commission's pole attachment jurisdiction because they are run by their members -- some of whom subscribe to cable services, and some of whom do not. All cooperative members, however, receive electric utility distribution service. Since the co-op structure ensures that co-ops are best positioned to determine what is best for their rural membership, Congress allowed cooperatives to establish the "equitable distribution of pole costs between utilities and cable television systems."[11]

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[8] *See* Krumblis Declaration at ¶ 8

[9] Comcast Corporation Form 10-K for fiscal year ending December 31, 2006 at 30.

[10] *See* 47 U.S.C. § 224(a)(1).

[11] S. Rep. No. 95-580, at 18 (1977), reprinted in 1978 U.S.C.C.A.N. 109, 126.

Your attention to this matter is appreciated. Should you have any questions or require any additional information, please feel free to contact the undersigned.

Sincerely,

Thomas B. Magee
Jack Richards

Attorneys for the
Coalition of Concerned Utilities

Enclosure

Cc: Amy Bender
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EXHIBIT F

BEFORE THE
ARKANSAS PUBLIC SERVICE COMMISSION

IN THE MATTER OF A RULEMAKING PROCEEDING TO ESTABLISH POLE ATTACHMENT RULES IN ACCORDANCE WITH ACT 740 OF 207	))))	DOCKET NO. 08-073-R

DECLARATION OF DENNIS R. KRUMBLIS

I, Dennis R. Krumblis, hereby declare the following:

1. I offer this Declaration in support of the Initial Comments of the Arkansas Cable Telecommunications Association submitted in the above-captioned matter.

Background and Experience

2. I have 30 years of experience in the cable television and multi-channel video industry, and am a member of the Society of Cable Telecommunication Engineers and Society of Broadcast Engineers. Presently, I am Vice President of Engineering of Buford Media Group LLC ("Buford"), with responsibility for the engineering and deployment of new services the company plans to offer, and the evaluation of new technology to further enhance the company's offerings. Among other duties, I am charged with oversight of the construction and placement of cable television ("CATV") facilities on utility poles by Buford's cable systems operated by its Alliance Group, and by the Allegiance Group that Buford manages.

3. Before joining Buford in 2003, I was owner and President of Sierra Broadband Services, a media construction and consulting firm that provided a wide array of CATV-related services, including digital video systems design and construction for National TeleConsultants, project management and deployment of digital video and high-speed internet services for Classic Cable and US Online, engineering and consulting for Classic Cable and Buford Media Group,

and video backhaul support for FOX Sports, CBS Sports, and America One Television. Prior to starting Sierra in 2000, from 1998 to 2000, I was Director of Technical Operations for Nucentrix Broadband Networks, where I had responsibility for the video operations group of Heartland Cable Television, and supported the deployment of wireless high-speed internet in Sherman and Austin, Texas. From 1990 to 1998, I was the Director of Engineering for CableMaxx and CS Wireless Systems, and was responsible for the engineering, deployment and operation of multi-channel multipoint distribution service ("MMDS") systems in Texas.

4. I began my career in 1978 with Warner Amex Cable as a Technician and later became a Plant Supervisor in Houston, Texas, where I played a key role in building the QUBE Cable system, one of the nation's first two-way interactive cable television systems. In 1984, I joined Harte Hanks Cable, where I was responsible for the operations management of 14 cable systems in Texas.

Introduction

5. Buford is a rural cable operator or, more specifically, a cable operator that serves (through its partner subsidiaries) rural areas in Arkansas, Oklahoma, Kansas, Texas and Missouri. Buford's footprint is 100% rural. In Arkansas, Buford serves through its Alliance Group approximately 5,000 subscribers, and through the Allegiance Group that it manages, another 20,000 subscribers, for a total of 25,000 subscribers in Arkansas. Buford is committed to serving rural Arkansas. Buford officials are active participants in industry-recognized associations for rural system operators, such as the National Cable Television Cooperative and the American Cable Association.

6. The Commission's current pole attachment rulemaking comes at a time where many of the countries' traditional CATV services in rural America are struggling to stay afloat,

due to the various challenges (primarily economical) of serving rural areas. Many rural systems have no current capacity to add broadband and other advanced services, and, as a result, have suffered large subscriber losses, mainly from competition from direct broadcast satellite ("DBS") providers. Most of the time, these systems, standing on their own, do not make business sense to maintain or operate, and often get shut down or sold as part of a package to other companies. Eventually, without some kind of capacity upgrade – and, significantly, follow-through on the promise of broadband for rural America – these systems will die a slow death as competition erodes the subscriber base.

7. That said, Buford has aggressively pursued bringing advanced video and broadband services to rural America, including in Arkansas. In 2005, Buford was awarded the "Independent Operator of the Year" by *Cable World* magazine, mainly for its efforts to deliver broadband to rural America and the leadership role it has assumed in the rural telecommunications arena. With our primary focus on rural systems, Buford's affiliates have purchased CATV systems in small, underserved markets in the nation's heartland, including Arkansas, with the intention of adding advanced video and broadband services to those systems. Many of these systems are over 25 years old and currently have no additional capacity to add new services, without upgrades.

8. Buford's average rural system in Arkansas serves approximately 500 customers per headend, with some serving as few as 50 customers. By comparison, larger systems, such as those in and around Little Rock, might serve 30,000 customers per headend, or even more. Buford's systems pass approximately 30 to 35 homes per mile, with those in more densely populated areas topping out at 20 homes per mile. Cable systems in urban areas might pass 50 homes or more per mile. With respect to CATV plant attached to utility poles, Buford averages

2 to 3 poles per customer; conversely, operators in more densely populated areas might have one pole – or a fraction of a pole – per customer. Pole rental rates and other fees and costs associated with pole attachments can have a significant impact on rural broadband deployment if not kept at reasonable levels, as discussed in greater detail below.

9. In addition to pole attachment costs, head-end electronics necessary to deploy any cable system also have a greater cost impact in rural areas. For example, head-end electronics for broadband cost at minimum approximately $35,000 – dividing that by 500 subscribers served by a rural headend results in a $700 per customer allocation of that expense. For comparison's sake, dividing that amount by 30,000 customers at an urban head-end is just over a dollar a customer (in reality, the costs of head-end electronics to serve a more urban area could be several times the minimum above, but even so the per-subscriber cost is only a few dollars a head). Similarly, while plant upgrade costs vary based on age of plant, plant condition, and system architecture, it also varies based on customer base density, such that costs can range from $3,000 per mile to $10,000 per mile. Naturally, there are some expenses that increase as the number of homes passed or customers served increase, but for all cost inputs not affected by the incremental addition of each customer, there are far fewer customers over which to amortize overall plant deployment costs in rural areas.

Buford's Experience Attaching to Electric Utility Poles and With Utility Support Systems

10. In order to provide its communications services, including broadband Internet, Buford must attach a considerable amount of its equipment to poles owned by two Arkansas electric cooperatives – First Electric in Perryville and Petit Jean Electric in Greer's Ferry – and by investor-owned Entergy Corporation. Over the last several years, Buford's pole attachment costs have skyrocketed, particularly with regard to Buford's attachments on First Electric's

poles. I attribute this to First Electric's engagement of a contractor known as Utility Support Systems, Inc. ("USS"), which recently conducted a billing audit of Buford's attachments and a safety inspection of all the facilities on First Electric's poles. Buford was unable to participate in either the pole count audit or inspection because USS sends out multiple inspectors concurrently. Buford simply does not have that kind of manpower on hand. Buford was therefore pleased to see Staff's Proposed Rule 3.03, which requires all the parties on a pole to conduct joint audits and inspections and requires the pole owner to incur its own inspection costs. I am hopeful that this will alleviate some of the cost and other issues that have arisen due to the hiring of third party contractors, as described below.

11. Prior to the USS audit, in 2006, First Electric billed Buford for 2,515 attachments per year. As a result of the audit, our attachment count with First Electric nearly doubled, from 2,515 to 4,907 "attachments."

12. Our review of the survey results confirmed that this substantial increase predominantly was attributable to the manner in which USS/First Electric defined "attachment," which included equipment for which First Electric did not require us to obtain a permit. In the past, First Electric only counted the bolt, attaching our mainline strand to the pole, as an attachment for rental rate purposes, and the bolt attachment was the only kind of attachment that required a permit. As far as I know, it is standard industry practice to count only the strand attachments for rental rate purposes. (Indeed, I am concerned that if the proposed definition of "Pole Attachment Audit" is retained, pole owners will be allowed to charge several rental rates for each pole, no matter how much space we use.) Nevertheless, Buford was forced to pay nearly $60,000 in rental rate arrears, for these newly identified "attachments," even though we were never required to get a permit for these attachments. This amount is in addition to the

$73,310 in rent (at $14.94 per attachment) that we also paid on a going-forward basis, for the 4,907 attachments.

13. Buford just received notice that the rent for 2008 is $15.58 per attachment. At $15.58, First Electric's pole rent is 3 times higher than Entergy's rental rate, which is based on the Federal Communications Commission's cost-based cable formula. The rent I am now paying to First Electric in Perryville, represents half the revenue Buford realizes from this system. In 2003, First Electric's pole attachment rate was only $6.00.

14. Because Buford was unable to participate in the audit, due to manpower issues and the manner in which USS conducted the audit, Buford now must conduct its own "attachment" count to ensure the accuracy of the First Electric/USS results. This is an additional expense Buford can ill-afford to incur, especially after having been presented with, and paying, USS's invoice for the pole count survey and the unexpected additional backwards and going-forward rent.

15. Shortly after USS conducted the pole count survey in Perryville, USS performed a pole safety inspection of the same exact Perryville plant. This time, however, it appears USS inspected all the plant on pole, including that of First Electric and other attachers. Following the safety inspection, Buford received invoices totaling more than $88,000 for the inspection. When Buford reviewed the data to back up the cost, the "back up" data merely showed dozens of "mileage" charges, at $00.445 per hour and "inspector" charges at $53.83 per hour. There are also "clerical" worker charges for $30.96 per hour. The one critical piece of information the back up fails to show is what was inspected. It is my understanding, however, based on a conversation with USS, that Buford was solely responsible for the cost of the safety inspection, simply because, as USS explained it to me, we were the last attacher on the poles. This is true

even though it appears the inspection included all attachments (including First Electric's) and identified any and all safety violations on the pole (including First Electric's). When questioned on this, USS's response to us was, "get used to it, we're here to stay." I am hoping that the Commission's rules will clarify that each party is responsible for the costs of its own violations.

16. In sum, over the course of calendar year 2007, we received invoices from First Electric/USS totaling $217,800.53 for the audit, the safety inspection, back rent and going-forward rent (with the additional approximately 2,400 newly identified attachments) on a system that serves only 303 customers, and has an annual gross revenue of only $154,275. The safety inspection alone cost nearly $300 per customer. Needless to say, it would be a drastic increase were we to attempt to pass this cost on directly to Buford's subscribers. At the same time, however, it represents nearly sixty percent of the gross revenue for those systems. We were thinking of bringing broadband to Perryville, but as a result of these pole-related costs we have shelved that project – it is not even on the table there, anymore – and I have serious concerns about the economic feasibility of continuing to provide even CATV service in areas in which we are dependent upon First Electric's poles, if pole-related costs such as these continue.

17. The pole attachment agreement Buford has with First Electric also allows the utility to oust Buford's existing attachments – including those we may have paid make-ready to install – if First Electric deems such removal necessary to accommodate its own attachments and/or "affiliate" attachments and/or street lights. If Buford wants to remain on the pole, Buford is the one who is required to pay all the make-ready – including change-outs of entire poles – not only to maintain its own attachment, but to accommodate the other new attachments. I do not think that is reasonable or equitable. I hope the rules address this type of situation.

18. It is my understanding that Staff's Proposed rental rate formula would result in a four-fold increase in Entergy's pole attachment rate. This will present its own set of problems in the areas we serve using Entergy's poles, if Staff's proposal prevails.

The Challenge of Bringing the Promise of Broadband to Rural Arkansas

19. When Buford considers acquiring a cable system, we look very carefully at current outside plant conditions to determine the approximate cost of enhancing system capacity and reliability. This includes issues arising under the National Electric Safety Code ("NESC") – and if a system is deemed in too poor a condition from an NESC perspective, we usually avoid purchasing it, where possible. At first, pole rents and pole-related costs were not a factor in our ability to extend broadband to rural communities desperately requesting it – now, it is a significant consideration. In fact, as noted above, pole-related costs have become a significant consideration with regard to whether we can even keep these systems operational, let alone whether we can upgrade to offer broadband over them.

20. I regularly visit, and/or am visited by, mayors of the communities that our cable systems serve, and I appear before city council meetings in which they participate or are present. In cases of communities where we have been unable to extend broadband thus far, one consistent line of inquiry involves when we will be able to make such upgrades (along with those needed for high-definition television, and other services requiring upgraded cable plant). Unfortunately, I am often in the position of having to ask these local officials to be patient, as we continue to try to find ways to provide broadband service to their rural constituents in a way that makes economic sense. When possible, I give approximate timeframes in which we hope or expect to deploy broadband, but sometimes I have to tell them that, despite Buford being one of the most creative companies at pushing broadband down into smaller markets, it is just not economically

feasible to extend broadband services to their communities in the near term. Of course, we always leave the dialog open, and invite checking back with us on a regular basis. Greater certainty regarding pole attachment costs and the confidence that those costs will be reasonable, will, in turn, allow me to provide more certainty to these officials in the future.

21. When over-the-air analogue signals cease in February 2009, Buford would like to be a competitive alternative to DBS providers, which have no pole-related costs or obstacles to service. In fact, only cable customers with analog televisions will still be able to receive analog television service (*i.e.*, they will not need a converter box right away). On the other hand, every television set served by DBS will require a box. In areas where pole-related costs make it too expensive to provide service, however, Buford may not be able to provide the alternative of box-free receipt of broadcast channels.

22. While Buford is committed to bringing broadband to rural Arkansas, we are greatly concerned about our ongoing ability to offer and extend broadband services given the rising costs associated with the unreasonable practices described above and fearful that pole attachment rents and charges could increase even more, under Staff's Proposed Rules. I am hopeful that the Commission will take these considerations into account when issuing its pole attachment rules.

23. I declare under penalty of perjury that the foregoing is true and correct.

Dennis R. Krumblis

DATED: May 7, 2008